BY STEVE AND SUZ TRUSTY

Back out again

The resale mower market presents several options to superintendents

The availability of off-lease mowers entering the resale market corresponds to the number of golf courses opting for leasing instead of outright purchasing. Photo: Jacobsen

Used mowers have been available since the beginning of mower sales. Traditionally, two types of used mowers hit the marketplace: demonstrator equipment that has relatively low usage and the trade-in equipment from direct purchases that has higher usage. These items were marketed primarily through the manufacturer-connected wholesale dealers and distributors. Leasing programs changed that, introducing a new category of highly maintained, lower-usage, post-lease mowers to the golf course maintenance market.

THE OFF-LEASE CATEGORY

Overall, the availability of off-lease mowers entering the resale market corresponds to the number of golf courses opting for leasing instead of outright purchasing. When a leasing period ends, all the equipment, including mowers, reenters the marketplace. With some lease programs, the user automatically returns the equipment to the lease holder. Others include

The mower resale market seeks ways to enhance the perceived value of the premium used product in the mind of the consumer. Photo: John Deere

preset or negotiable buyout options the user can consider at the end of the leasing period.

There are multiple types of companies issuing leases, too. The lease holder might be an entity linked with the equipment manufacturer or working in conjunction with the equipment manufacturer, independent leasing company or bank.

With so many options, it's difficult to determine the actual ratio of lease agreements compared to outright purchases. The National Golf Foundation provides some data based on its research. Some industry suppliers give off-the-record estimates of a 50-50 ratio based on their tracking figures.

The equipment coming off leases will return to the ownership of the leasing company and into its marketplace. For companies with manufacturer connections, the resale units will be handled by the wholesale distributor or dealer. The mower manufacturers have built strong distribution networks and count on these companies to support their products completely and provide superior customer service.

Nonconnected leasing entities will use other marketing sources that could be local, regional or international. These "out of channel" marketers make a huge impact on the availability and price point of used mowers.

USED MOWER OPTIONS

All types of mowers used on a golf course are included in most lease packages, so everything from rotary gang mowers to walk-behind greensmowers hit the resale market. Lease periods vary from three to four or five years.

"The number of annual use hours is driven by the type of mower, the physical layout of the course and the geographic region, with higher hours racked up on mowers working year-round in warm weather areas than those used in colder climates," says Mike Nesdahl, Toro's senior manager for financing and remarketing. "So the hour ratings at the end of the leasing period typically range from 600 to 2,000 hours."

As with any leasing agreement, the user is responsible for maintaining the machines to a certain standard, which is high with golf course equipment leases.

"Used mower prices generally range from 40 percent to 60 percent of what a new piece would cost," says Ed Kruse, national accounts sales manager for John Deere. "The assured certified units that have undergone the formal inspection and upgrade are more expensive than a trade-in piece that has been inspected and prepared for use but doesn't carry a warranty."

Brian Melka, director of product management for Jacobsen, says some industry data puts the resale price from a 30-percent to 50-percent reduction from the initial purchase price.

"The important thing is how much it's going to cost the course to maintain it and use it?" Melka says. "They'll expect to put more maintenance into it, and while that's not going to eat up all that price difference, it could be a big chunk of it, depending on how the machine will be used and how long it will be used."

The costs decline according to the value of the mowers. The decline typically is in relation to the hours of use rather than the age of the mower. The decline starts to level out over time with the older trade-in mowers, and by eight to 10 years of use, there's not much value left. These older trade-in mowers might be sold at wholesale to a remarketer as is or used as a source for parts.

WHO BUYS USED MOWERS?

When Kruse looked at a five-year-old customer profile of those buying off-lease used mowers, it was the smaller-budget golf courses that were looking for the value and weren't as concerned about the hours.

"With increased technology and mower advancements, everyone from the top A course to the more price-conscious privately owned public course is a potential used buyer," Kruse says. "It's all about right-sizing your fleet for your facility and best use of available resources. Courses will supplement a new lease program with a few used units to compliment an

Used mower prices generally range from 40 percent to 60 percent of what a new mower would cost. Photo: Toro

overall program."

In the upper Midwest, there are many nine-hole golf courses that don't have the budget to buy new machines, says Rich Vining, sales manager for Turf Werks, a Jacobsen dealer located in Johnston, Iowa.

"With the off-lease mowers that roll over from the typical three-year lease program, they can buy a relatively low-hour machine in the 400- to 700-hour range at a reasonable price," Vining says.

The quality of cut is a golf course's primary consideration for its main cutting units, Melka says. Often, the used mowers are used as a back up or for specialized use rather than as the primary cutting equipment. The specialized unit can help extend the life of the newer, primary use mower by not changing it over or putting it in the more hard-use situations.

There's a much broader market for resale of a rotary mower, Nesdahl says.

"A 6-foot rotary product can go to a landscape contractor, a corporate grounds department, a high school, even a homeowner," he says. "The opportunities are endless. The reel mower, because of its nature and the more technical maintenance requirements, will typically come back to the golf market."

The sports turf market is another potential buyer of used reel products.

"The walk-behind greensmowers are the slowest resale unit," Nesdahl says. "The superintendents who walk-mow their greens have a highly labor-intensive operation and are very focused on the quality of cut, so they generally opt for new machines. Used mowers can be equipped with a higher-height-of-cut kit to fit the needs of athletic fields."

USE EXPECTATIONS

The three manufacturers point to the quality of their products and the service capabilities of their dealers as factors that can keep equipment running for a long time. The use potential is closely tied to the use hours already on the machine.

"Often the price paid mirrors the expectations," Nesdahl says. "If a mower is expected to provide 10 years of service and the course pays 50 percent of the original price for it, they'll probably anticipate five years of use."

The use period depends on how much preventive maintenance the course wants to do, how sophisticated their mechanical staff is, and how much time and money they want to invest on upkeep for each mower, Melka says.

SAVVY DECISIONS

The mower resale market has followed the lead of the car market by seeking ways to enhance the perceived value of the premium used product in the consumer's mind. So it's important for potential buyers to approach the used mower market with realistic expectations. They need to ask questions to determine the mower's history and warranty details, if a warranty is provided. It's a "buyer beware" situation if the offer seems too good to be true or the person selling the machine doesn't know its history.

Buyers should also consider the overall costs of ownership, not just the purchase price. Savvy shoppers look long term to determine the potential operating costs, including fuel and maintenance costs. That should be compared to the cost of a new mower and its operating costs during the same period. The new equipment will be more versatile incorporating the

The used mower concept isn't new to the golf market anymore, so it's easier for dealers to sell them. Photo: John Deere

technological advances of a five- to 10-year period and will provide greater durability and performance factors, but the initial cost will be higher. Superintendents need to consider all the options to determine which is a better fit for their operation, including dealer service.

"At the end of the day, what matters is the mower is still working effectively," Kruse says.

LOOKING AHEAD

Additionally, there's a potential effect of interest rate fluctuations on the overall market.

"There's a long-term seasonality that will impact the buy-to-lease ratio," Melka says. "With three to five years of low rates, there's been much emphasis on leasing as a form of shorter term ownership. That can balance out, and it can and will change as interest rates change."

But most view used mower sales as a growing market.

"There's a niche out there now, especially for the off-lease units," says Mike Murphy, general manager of the Chicago location of Turf Professionals Equipment Co. "The concept isn't new to the golf market anymore, so it's a bit easier to sell. The product is in good shape, and the golf courses feel comfortable purchasing it. I don't anticipate that changing in the near future."

Nesdahl sees the opportunity increasing, and Kruse says the resale of used mowers is a growing market.

"The amount of mowers on the market is greater because the industry has grown overall," Nesdahl says. "While the golf market isn't growing at the previous rates, more courses are opting for leasing programs, which translates to more off-lease mowers in the marketplace."

"The leasing of new equipment in the marketplace has been very good for us, and most of our distributors do a lot with it," Kruse says. "In three years, that equipment still has less than half of its anticipated use expended. People see the value in that. As course operators become more cost efficient about how their money is spent, they find that equipment is a good fit." **GCI**

Buyer protection and more

Almost 99 percent of off-lease used mowers are sold with a warranty. Toro and John Deere have buyer-protection programs and provide support for off-lease sales.

"The Toro Protection Plus Used program takes the worry out of buying used equipment," says Mike Nesdahl, Toro's senior manager for financing and remarketing. "To qualify for the program, the machine is required to go through a rigorous process covering an extensive range of details including lubricant analysis testing, tread depth testing and servicing of the reels and cutting deck."

John Deere developed an Assured Certified Used Equipment program that includes a 100-point inspection process carried out by an authorized service technician.

"They go over the machine and replace the high-wear items," says Ed Kruse, national accounts sales manager for John Deere. "It's backed by a one-year powertrain warranty. With that degree of assurance, the courses are willing to accept a higher-hour used machine."

Richard Shumate, a sales rep for Van-Wall Equipment in Olathe, Kan., says John Deere Credit notifies Van-Wall six months prior to the end of a lease program.

"They ask us to provide them with notification of the customer's intentions on allocation of the lease units 90 days in advance," he says. "Machines that are turned back in will be billed to the distributor."

The decision about how to handle each unit left to the distributor varies.

"About 30 percent of our total used-mower inventory consists of off-lease units," Shumate says. "The remainder is traditional trade-ins. Our sales staff gathers all the details about a used unit and takes photos of it. We then work with the used equipment manager to coordinate the trade value of the machine and determine the path to take in marketing it. We might sell it as is, sell it serviced and ready to operate, or, if it meets the criteria, service it for a warranty program. Every warranty step adds dollars to the overall cost of the mower, so we need to balance that with what best fits the needs and budget of the potential customer."

Jacobsen is less involved in the resale market. Warranty arrangements are left to the discretion of dealers.

"We provide a one-season warranty on off-lease mowers, which is about six months in our region," says Rich Vining, sales manager for Turf Werks, a Jacobsen dealer in Johnston, Iowa. "We bring in the machines, give them a work over so we know exactly what we've got, and make sure they're sharpened and ready to go. With a true lease, you've been keeping an eye on the product because you know you're buying it back. We've never had a customer turn over a lease unit that wasn't in good shape."

Dealers emphasize their focus on developing long-term relationships with their customers. The sales staff has a good handle on the current and potential needs of their accounts.

"We keep customer profiles and know way ahead of time what products are coming off lease," Vining says. "We also know which courses are potential buyers. We alert them with the details of a unit when a machine that could fit their needs is coming off lease so they can take it before their board."

Mike Murphy, g.m. of the Chicago location of Turf Professionals Equipment Co., says the company has been working the off-lease resale market for about five years.

"As a distributor, we developed a plan to be prepared for these units," he says. "Generally, we'll sell every machine with the Toro Protection Plus. It's 12 months of piece of mind for the customer. We start marketing three to six months ahead of time working toward having a home for the equipment when it comes in.

"Off-lease equipment is a different sale. You're taking one solution and need to find a customer that needs that solution. The sooner we're out there marketing it and giving our customers the awareness of it, the better the opportunity to make that match. It's a piece by piece situation. If we have two fairway mowers and two ride-on greensmowers come in, they'll probably go at resale to four customers."

Every distributor shoots for a 100-percent presale of off-lease equipment, but the reality varies, ranging from 35 percent to 60 percent depending on the items coming in, the condition and use hours of the units, and the saturation level of those machines within the marketplace. **GCI**